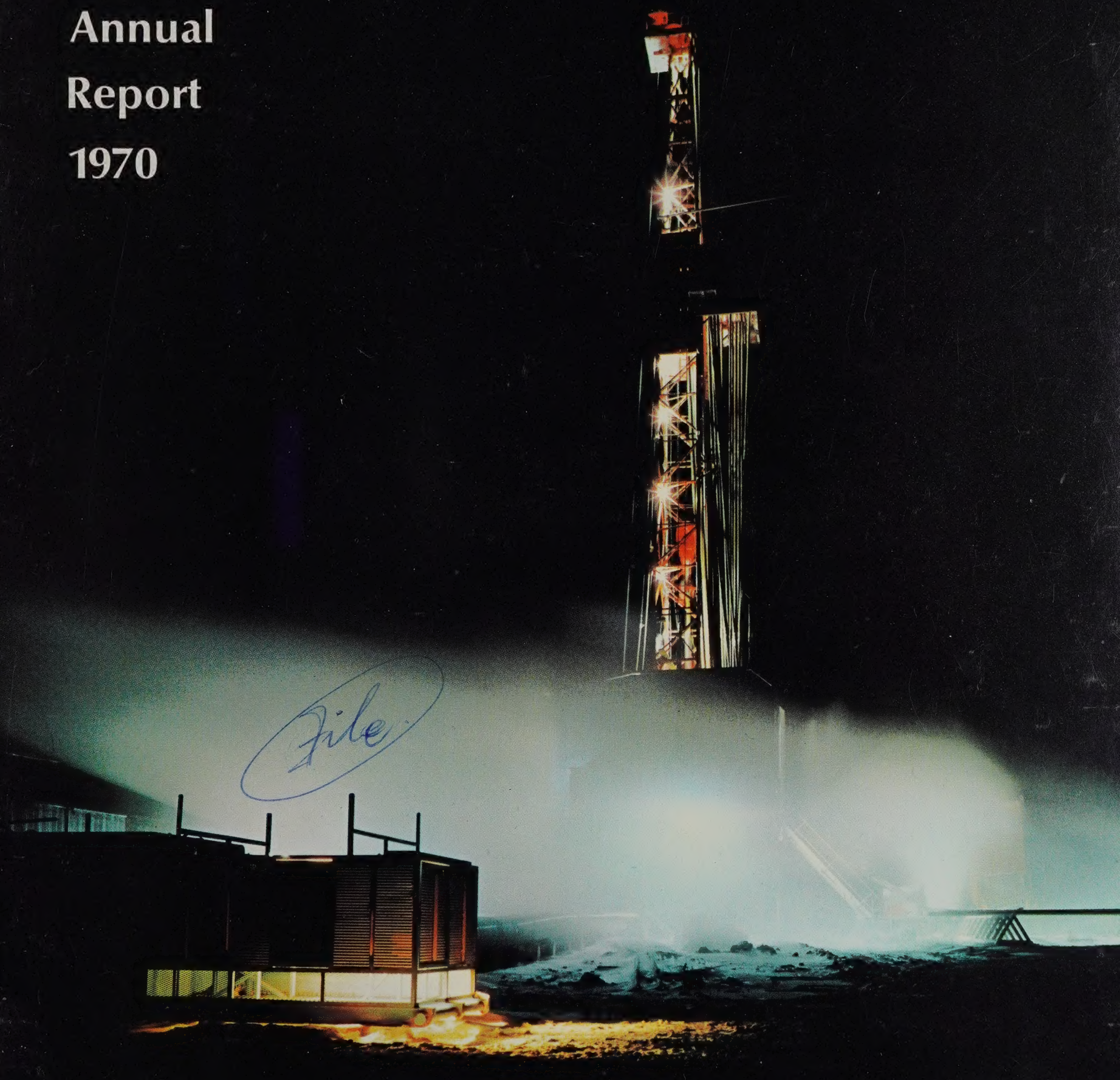
Annual Report 1970



GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

Cover

Taken at noon on a sub-zero December day, the cover photograph of drilling operations on the Company's Melville Island acreage dramatizes the blackness of the Arctic winter. Steam and snow are driven across the base of the rig by 30 m.p.h. winds.

GREAT PLAINS

DEVELOPMENT COMPANY OF CANADA, LTD.

Contents

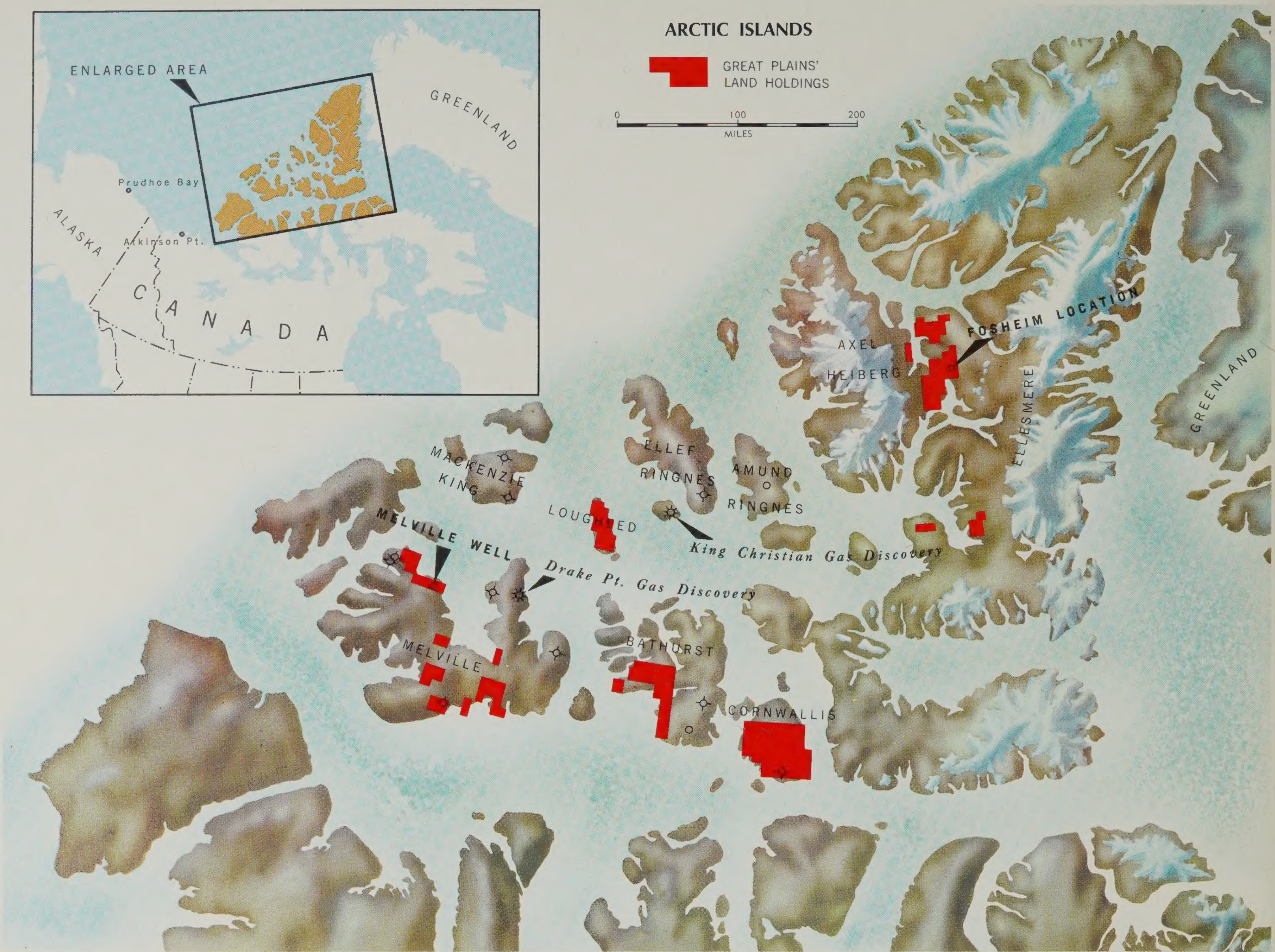
The Annual Meeting of Shareholders will be held at 9:30 o'clock a.m. on Tuesday, March 23, 1971, at the Head Office of the Company, 6th floor, 736 - 8th Avenue S.W., Calgary, Alberta.

HIGHLIGHTS

- Revenue rose to an all-time high of $10.7 million, 14 percent greater than last year.
- Cash generated and net earnings reached record levels.
- New highs were established for oil and gas liquids production and natural gas sales.
- Drilling is in progress on the Company's Arctic acreage on northwest Melville Island. A second well, costing an estimated $3.8 million entirely financed by other companies, will commence on Ellesmere Island by April, 1971.
- All bank production loans were retired and the Harmattan gas loans, which are interest-free, were renegotiated.

Financial	**1970**	**1969**	**Percent Change**
Revenue	**$10,722,000**	$ 9,433,000	+14
Cash generated from operations	**$ 7,675,000**	$ 6,584,000	+17
Per share	**$ 2.40**	$ 2.06	+17
Net earnings, after provision for deferred income taxes	**$ 4,225,000**	$ 3,636,000	+16
Per share	**$ 1.32**	$ 1.14	+16
Dividend	**$ 1,279,000**	$ 1,278,000	–
Per share	**40c**	40c	–
At Year End			
Working capital	**$ 4,260,000**	$ 6,974,000	−39
Long-term debt	**$ 3,360,000**	$ 3,421,000	− 2
Shares outstanding	**3,197,914**	3,195,614	–

Operating			
Oil and gas liquids production, net barrels	**3,253,000**	3,029,000	+ 7
Daily average	**8,912**	8,299	+ 7
Gas sales, net millions of cubic feet	**9,379**	8,581	+ 9
Daily average	**25.7**	23.5	+ 9
Sulphur sales, net long tons	**11,900**	12,700	− 6
At Year End			
Proved and probable reserves, net:			
Oil and gas liquids, barrels	**55,424,000**	52,022,000	+ 7
Reserve life at then-prevailing production rates, years	**17**	17	–
Gas, millions of cubic feet	**367,000**	327,000	+12
Reserve life at then-prevailing production rates, years	**39**	38	+ 3
Sulphur, long tons	**380,000**	394,000	− 4
Oil and gas land holdings, net acres	**5,867,000**	5,405,000	+ 9



OIL AND GAS EXPLORATION

During the past year, Great Plains' expenditures for oil and gas exploration totalled $4,501,000, approximately the same as in 1969. Of this sum, $3,263,000 was expended in the Northern Oil joint venture and $1,238,000 on properties held outside that program.

The Northern Oil Explorers program, which operates with an annual budget of $7,500,000 for oil and gas exploration in Canada, is shared 40 percent by Great Plains, 40 percent by Barber Oil Corporation and 20 percent by Noranda Mines Limited. Acreage holdings and all other applicable data in this report include Great Plains' 40 percent participation in this joint exploratory venture.

Arctic Islands

Several years prior to the dynamic swing of exploration activity into the Far North, the Company obtained 3.9 million net acres of onshore exploratory rights in the Arctic Islands. In 1967, Panarctic Oils Ltd. committed to drill four wells on Company lands and was granted options to drill an additional seven wells to earn interests in most of this acreage. In 1969, in order to realize an early financial return from its Arctic investment, Great Plains sold one-half of its interest in the acreage previously farmed out to Panarctic. This sale realized $9,000,000 and interests in acreage in northern Alberta and the Northwest Territories. Great Plains retains, after this sale and if all option wells are drilled by Panarctic, net interests of 17 to 25 percent in these widespread Arctic holdings.

The first Panarctic well on Great Plains' acreage is presently drilling on northwest Melville Island. The second well, a 14,000-foot test to be located on the Fosheim anticline on

Ellesmere Island, will begin drilling by April, 1971. This well, which will cost approximately $3.8 million, will be one hundred percent financed by others. Indications are that the third well, a 12,000-foot test on Lougheed Island, will also commence drilling in the spring of 1971. Option wells which may be drilled, can be located on Cornwallis, Bathurst, Ellesmere, southeast Melville and Axel Heiberg Islands.

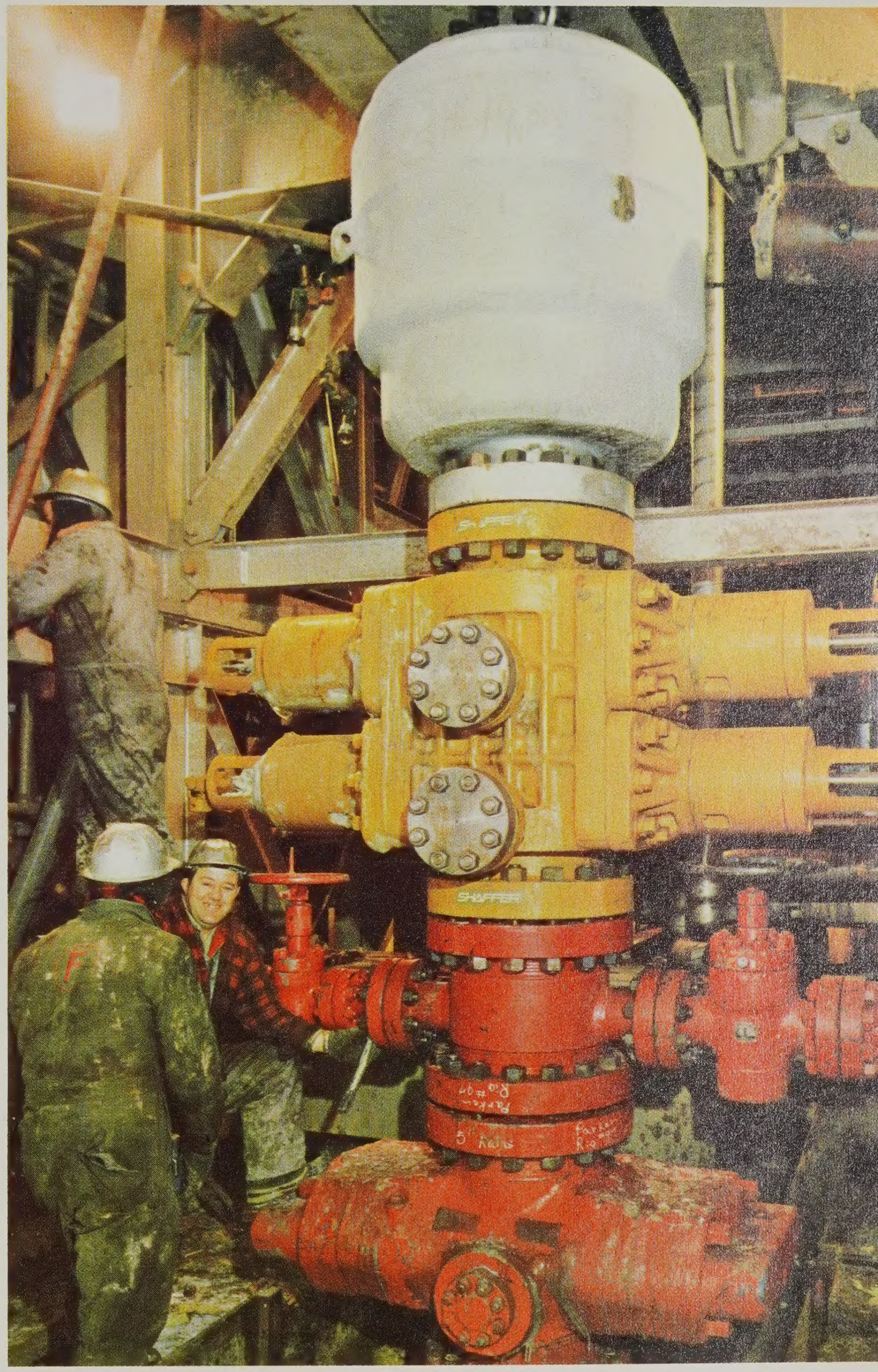
The Company also holds small interests in 441,000 acres in the Arctic Islands not included in the Panarctic farmout.

Exploration in the Arctic Islands offers good potential for oil and gas. With the outlook for a high level of activity on and near its Arctic properties, Great Plains is in a strong position to benefit from exploratory success in this frontier area.

ARCTIC DRILLING BY THE PETROLEUM INDUSTRY

Year	Number of Wells	Island	Average Depth	Status
1962	1	Melville	12,543′	abandoned
1963	1	Cornwallis	4,840′	abandoned
1964	1	Bathurst	10,000′	abandoned
1969	3	Melville	7,247′	1 gas discovery 2 abandoned
1970	1	Ellef Ringnes	11,072′	abandoned
	2	Mackenzie King	10,445′	2 abandoned
	2	Melville	8,494′	2 abandoned
Current Projects	1	Amund Ringnes		drilling
	1	Bathurst		drilling
	1	King Christian		gas discovery, drilling
	1	Melville		drilling
	15			

Relief wells are not included.



Blow-out preventers such as these play an important role in protecting the environment.

Temperatures well below zero create unusual water hauling problems in the Arctic.

Arctic snow storms are taken as a matter of course in operations on Melville Island.

Great meals, professionally prepared, make Arctic life more bearable.

OIL AND GAS LAND HOLDINGS – DECEMBER 31

	1970		1969	
	Gross Acres	Net Acres(1)	Gross Acres	Net Acres(1)
PETROLEUM AND NATURAL GAS LEASES				
Alberta	**1,619,000**	**514,000**	1,709,000	480,000
British Columbia	**57,000**	**16,000**	43,000	13,000
Saskatchewan	**497,000**	**47,000**	548,000	39,000
Manitoba	**3,000**	**2,000**	5,000	3,000
Ontario	**82,000**	**–**	84,000	–
Yukon and Northwest Territories	**122,000**	**55,000**	122,000	55,000
RESERVATIONS, PERMITS & LICENSES (2)				
Alberta	**774,000**	**277,000**	735,000	312,000
British Columbia	**305,000**	**80,000**	91,000	36,000
Saskatchewan	**666,000**	**185,000**	621,000	178,000
Quebec	**2,726,000**	**545,000**	–	–
Yukon and Northwest Territories	**4,419,000**	**1,835,000**	5,141,000	1,981,000
Arctic Islands	**4,448,000**	**2,049,000**	4,448,000	2,046,000
Offshore, East Coast	**656,000**	**262,000**	656,000	262,000
TOTAL	**16,374,000**	**5,867,000**	14,203,000	5,405,000

(1) Excludes royalty interests in approximately 748,000 acres.
(2) Leases may be selected on approximately 50 percent of this acreage.

Oil and Gas Land Holdings

At year end, Great Plains held 5,867,000 net acres out of 16,374,000 gross acres, including its interest in properties acquired under the Northern Oil program. During the year, 977,000 net acres were acquired and 515,000 net acres were released.

The largest acquisition was in the Gaspé area of Quebec where 545,000 net acres were obtained through farmin. Other acquisitions include farmin and purchase of various blocks totalling 120,000 net acres in northern and central Alberta, and 20,000 net acres in the southern portion of the Province. In southern Saskatchewan, through farmin and purchase, rights were acquired to 92,000 net acres. In northeastern British Columbia 175,000 acres of exploratory permits, in which the Company holds a 20 percent interest, were purchased for $894,000.

The St. Lawrence River provides a backdrop for seismic crews conducting Gaspé reconnaissance programs.

Quebec

In 1970, a strong position was acquired in a new exploration play developing in the Gaspé area of Quebec. The objective is to find gas or oil in Alberta foothills-type structures where the Gaspé Peninsula fronts on the St. Lawrence River. An extensive reconnaissance seismic program is about 60 percent completed and additional exploratory work, including drilling, is planned in 1971.

Extensions and Discoveries

At Harmattan in south-central Alberta, Great Plains drilled a Mississippian gas discovery. The well is approximately two miles from the nearest producer and added to the Company's reserves in this area. A Cardium gas discovery was made at Leafland in central Alberta and a two-mile extension in the Minnehik area was completed as a Mississippian gas well. In the Crossfield area near Calgary, a discovery in the Upper Mississippian Turner Valley formation flowed gas at 29.5 million cubic feet per day on an open flow production test. This well, located approximately three miles from the nearest gas producer, has excellent productivity but the reservoir is apparently small.

A wildcat well at James River near Strachan-Ricinus in Alberta, encountered a very thick gas-bearing reef, but production is not feasible at this time due to the extremely high sulphur content of the gas.

Several step-outs were drilled at Butte in Saskatchewan adding to oil production in that area.

The Company's Crossfield gas discovery in rolling southern Alberta farmland.

Geophysics

Fifteen hundred line miles of seismic were conducted during 1970, primarily in the north-central Alberta foothills, at Mills Lake in the Northwest Territories, at Old Crow in the Yukon Territory and along the Gaspé Peninsula in Quebec. Also acquired through purchase or trade were seismic and geophysical records covering an additional 1,200 miles.

A Track-type vibroseis unit conducting a geophysical survey along the Alberta foothills.

David E. Mitchell
President

INDUSTRY COMMENT

One of the most important industry events in 1970 was a general price increase of 25 cents per barrel for Canadian crude. Although this increase, the first in nearly nine years, will only partially offset cost inflation, it is a much needed addition to the cash flow required by industry to sustain exploration.

Producers in Canada have long awaited the moment when Canadian oil and gas would be allowed virtually unrestricted access to United States markets, and it appears that this time is at hand. Canadian crude officially remains, however, subject to the vagaries of United States import regulations, and an American tariff of 10½ cents per barrel.

The basic costs incurred to discover and develop oil in Canada are much greater than is the case in the more prolific producing countries of the world. Canada's crude is too costly to move offshore and only now, because of higher tanker rates and the accelerating levies of foreign governments, is it becoming fully competitive for use within Canada. Gas reserves, on the other hand, are in strong demand and attractive in price to North American purchasers.

Today's exploration frontiers in Canada compound the financial problems of exploration companies. Exploratory wells in the Far North or Arctic Islands are much more expensive than ventures in accessible areas of Western Canada. Then, when oil or gas is found in commercial quantities, there will be a lengthy interval before production and revenue begin, while enormous capital outlays will be required to develop production and transport facilities. As a consequence, there will be serious cash problems for the industry in the next few years. While the excitement and drama of discoveries help provide the industry's near-term incentive to invest, over the long term there must be adequate cash flow from actual discoveries and production.

Even in the accessible areas already on production, the Canadian oil industry still has in excess of one billion dollars to recover from its investment. This sum excludes any provision for interest on money.

The federal government, through its ownership of mineral rights in the frontier areas, is becoming the dominant force in industry planning and activity. Added to its role as export market negotiator, the government has responsibility for important administrative practices that materially influence exploration investment. It is hoped that these administrative and regulatory responsibilities will be consistently applied, in a manner that recognizes the massive amount of capital that has to be found to do the job.

MINING EXPLORATION

Expenditures for mining exploration totalled $842,000, an increase of $257,000 from the prior year. The Company participated in programs totalling $1,620,000 and operated programs costing $1,090,000. In Company-operated programs, 31,600 acres were staked, 260 miles of line were cut, 210 miles of ground geophysics were conducted and 25,000 feet were drilled. During the summer season 43 personnel were employed in the field, including geologists, geophysicists, prospectors and drillers.

Exploration for uranium continued at a high level. On the Wollaston Lake trend in northern Saskatchewan additional uranium occurrences were discovered and will be evaluated by drilling in 1971. Following last year's regional airborne radiometric survey, over 370 claims were staked on the east arm of Great Slave Lake in the Northwest Territories.

Having acquired properties prior to the intended effective date of the federal government's new uranium ownership regulations, Great Plains has five years remaining in which to evaluate such holdings. Any commercial discovery made in that period will be exempt from the new regulations as long as the properties are retained by the Company. To date the new regulations have not been enacted.

Reconnaissance surveys for lead-zinc deposits were conducted in northern Saskatchewan and in the Rocky Mountains of southern British Columbia. Lead-zinc mineralization discovered

in Saskatchewan has been geochemically surveyed and will be drilled in 1971.

Exploration for copper in British Columbia increased during 1970. In addition to drilling on the Iron Mask properties near Kamloops in southern British Columbia, regional geochemical reconnaissance programs were conducted in the Stikine River and Omineca River areas in the northern portion of the Province. A number of anomalies were discovered and 175 claims were staked covering the areas of interest. Drilling on the Company's claims near Kinaskan Lake in northern British Columbia revealed copper mineralization that will be followed up in 1971.

In 1970 the Company also participated in small programs in the Yukon Territory and New Brunswick.

At year end the Company held 553,000 net acres out of 945,000 gross acres of leases, claims, claim blocks and permits. In Saskatchewan, holdings were reduced by 446,000 net acres when large permits were surrendered after selecting claim blocks covering the areas of specific interest.

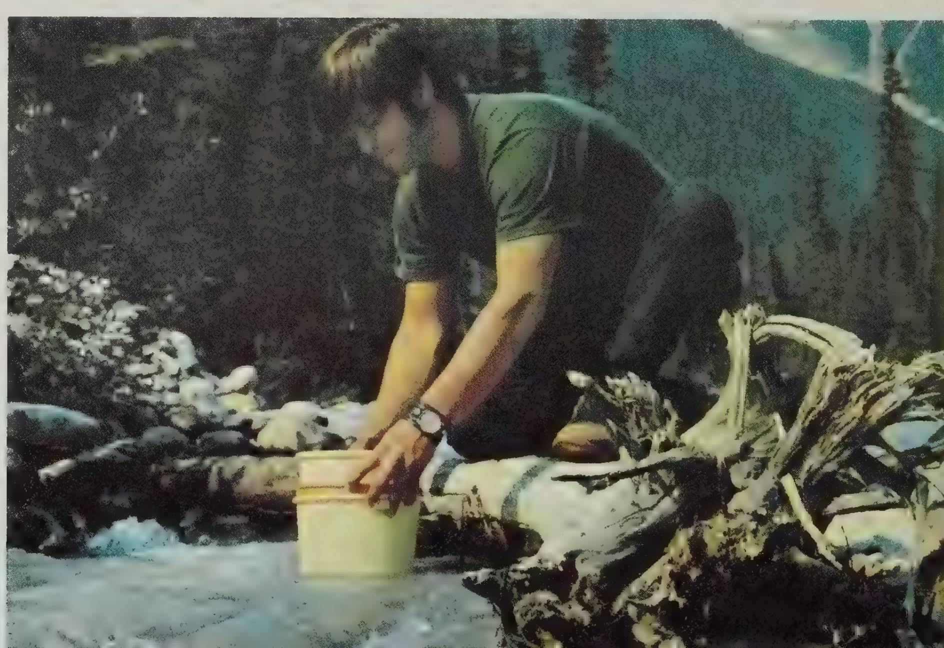
MINERAL LAND HOLDINGS – DECEMBER 31, 1970

	Gross Acres	Net Acres
Saskatchewan	855,000	517,000
British Columbia	30,000	21,000
Yukon and Northwest Territories	45,000	14,000
New Brunswick	15,000	1,000
	945,000	553,000

A small portable diamond drill is operated on northern Saskatchewan mineral properties.

A geologist examines mineralization in a diamond drill core sample.

Geochemical stream sediment sampling in the Rocky Mountains of southern British Columbia.



Pumping units are a common sight in the Pembina field.

PRODUCTION

Crude Oil and Natural Gas Liquids

Great Plains' production of crude oil and natural gas liquids increased for the third consecutive year and set another new record in 1970. Output from the Company's properties rose to a level of 8,912 barrels a day, up 613 barrels a day, or 7 percent from the prior year. The increase resulted from higher allowables in Alberta and development drilling in the Pembina and Butte fields. In order to meet the higher demand, considerable work was done during the year to upgrade the productivity of oil wells. In December, when oil and gas liquid production averaged 9,400 barrels a day, most properties were producing at near-maximum rates.

On December 15, 1970, the price of light and medium gravity Western Canadian crudes increased by 25 cents per barrel. This will add approximately $700,000 of production revenue in 1971. During the year, the Company received an average wellhead price of $2.47 per barrel for its crude oil, a slight increase from the 1969 average.

Natural Gas

In 1970, natural gas sales increased for the ninth consecutive year, averaging 25.7 million cubic feet per day, up 9 percent. Increases in export volumes and new production at Judy Creek in Alberta and Kobes in British Columbia largely accounted for this gain. The average price received for gas in 1970 was 18.5 cents per thousand cubic feet as compared to 18.0 cents in 1969.

The enlarged Minnehik-Buck Lake gas plant will be placed on stream before mid-1971, several months later than previously predicted. The plant expansion will increase gas sales from this area by 50 percent and will add approximately $600,000 annually to Company revenue.

Sulphur

Because of a world sulphur surplus, prices continued to decline sharply in 1970. During the year the average price received was $10.18 per long ton as compared to $23.46 in 1969 and $37.33 in the peak year of 1968. Sulphur production totalled 17,000 long tons while sales amounted to 11,900 long tons and 5,100 long tons were stockpiled. The Company's sulphur inventory now totals 18,600 long tons, which is equal to approximately 13 months' production.

Thermal Recovery

Operations at the Cold Lake thermal recovery experimental pilot project have been suspended. The project was a technical success, producing over 100,000 barrels of oil, but this production appears to be uneconomic at this time despite a recent increase in heavy oil prices.

Operations are continuing at another thermal recovery project near Cold Lake, in which Great Plains has a no-cost 25 percent interest.

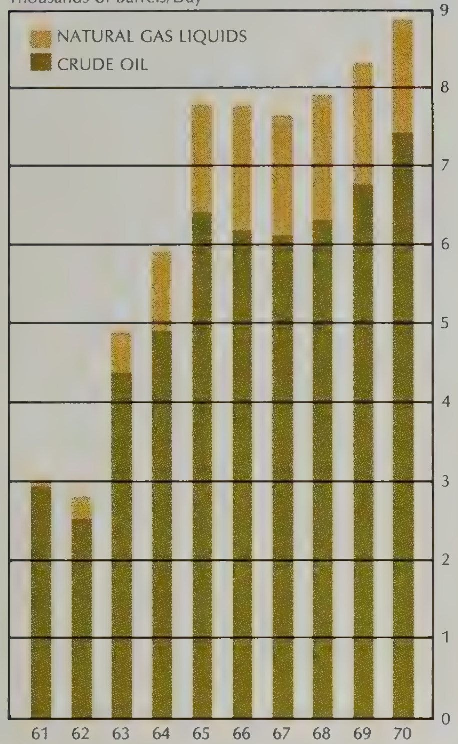
Wellhead servicing goes on regardless of the weather.

NET PRODUCTION OF NATURAL GAS AND SULPHUR

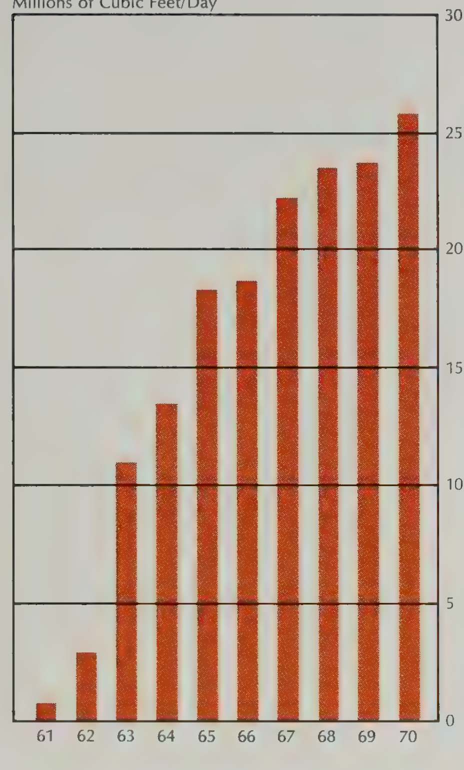
	Natural Gas (Millions of Cubic Feet)		Sulphur (Long Tons)	
	1970	**1969**	**1970**	**1969**
Calgary	**1,875**	1,768	**11,400**	11,400
Harmattan	*	*	**3,800**	3,800
Minnehik-Buck Lake	**4,691**	4,348	**1,400**	1,000
Other Areas	**2,813**	2,465	**400**	500
	9,379	8,581	**17,000**	16,700

*Gas is being reinjected after extraction of liquids.

CRUDE OIL AND
NATURAL GAS LIQUIDS PRODUCTION
Thousands of Barrels/Day



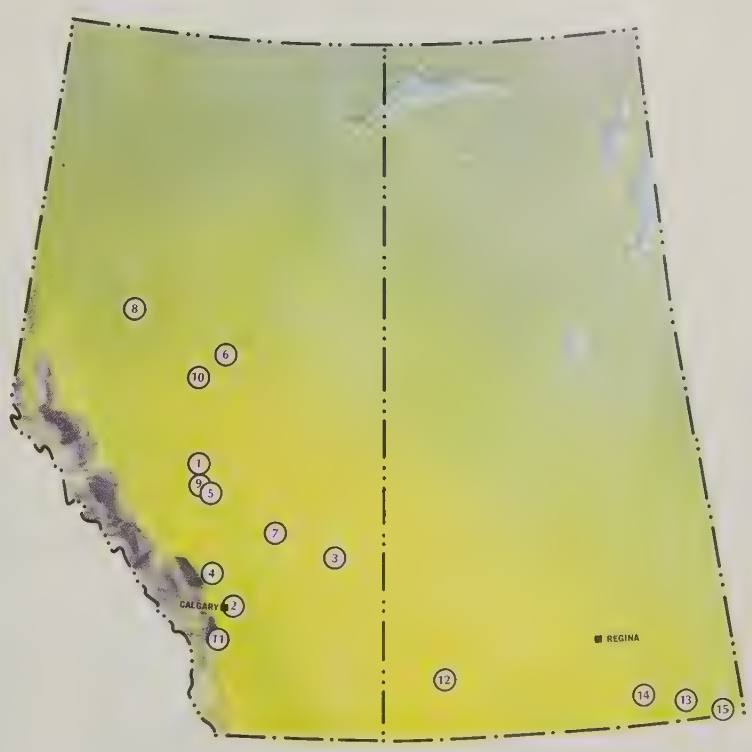
NATURAL GAS SALES
Millions of Cubic Feet/Day



OIL AND GAS LIQUIDS PRODUCTION (NET BARRELS)

Map Symbol		1970	Percent of Total	1969	Percent of Total
	ALBERTA				
1	Bigoray	**135,000**	**4**	107,000	4
2	Calgary	**56,000**	**2**	52,000	2
3	Hamilton Lake	**87,000**	**3**	100,000	4
4	Harmattan	**498,000**	**15**	523,000	17
5	Minnehik-Buck Lake	**76,000**	**2**	72,000	2
6	Mitsue	**80,000**	**2**	67,000	2
7	Nevis	**32,000**	**1**	35,000	1
8	Normandville	**53,000**	**2**	52,000	2
9	Pembina	**1,352,000**	**42**	1,204,000	40
10	Swan Hills	**41,000**	**1**	44,000	2
11	Turner Valley	**73,000**	**2**	69,000	2
	Other Areas	**170,000**	**5**	130,000	4
	SASKATCHEWAN				
12	Butte	**153,000**	**5**	119,000	4
13	Steelman	**117,000**	**4**	126,000	4
14	Weyburn	**96,000**	**3**	97,000	3
15	Workman	**69,000**	**2**	72,000	2
	Other Areas	**64,000**	**2**	71,000	2
	Royalty Interests	**101,000**	**3**	89,000	3
	TOTAL	**3,253,000**	**100%**	3,029,000	100%

MAJOR PRODUCING AREAS



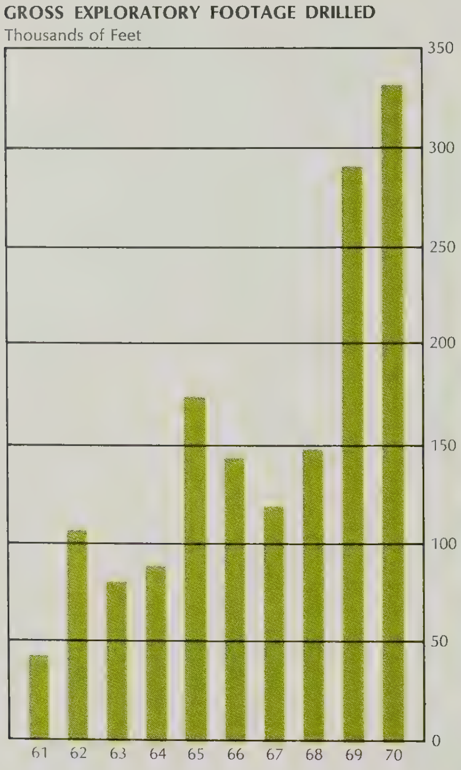
DRILLING

Great Plains participated in the drilling of 102 wells in 1970, of which 23 were at no cost to the Company on acreage optioned or farmed out to others.

Exploratory drilling totalled 63 gross wells in which the Company had interests equivalent to 15 net wells. This drilling resulted in 8 gas wells and 7 oil completions. The exploratory drilling was widespread throughout the Western Canadian Sedimentary Basin with 38 wells in Alberta, 3 in British Columbia, 14 in Saskatchewan, 6 in the Northwest Territories and 1 in Manitoba. One well was drilled in Ontario.

Development drilling in 1970 totalled 39 gross wells in which the Company's interest was equivalent to 7 net wells. Of the wells drilled, 25 were completed as oil wells and 6 as gas wells. Continued development and step-out drilling in the Pembina field in Alberta and in the Butte field in Saskatchewan accounted for most of the oil well completions. The gas wells were drilled in the Minnehik, Bigoray, Crossfield and Sylvan Lake areas of Alberta.

Equipment used in Alberta's two principal industries in symbolic juxtaposition.



An interested observer checks drilling operations.

A Pembina field worker gauges the oil level in a large storage tank.

RESERVES

At year end, the Company's proved and probable reserves of oil and gas liquids had increased by 3,402,000 barrels, after allowing for production of 3,253,000 barrels. The increase was due to improved reservoir performance, development drilling and installation of new secondary recovery projects.

Proved and probable natural gas reserves increased by 40.0 billion cubic feet after the year's production of 9.4 billion cubic feet. Successful drilling was the main reason for this increase.

The Company's sulphur reserves decreased slightly during the year, to 380,000 long tons.

The Harmattan fields contain 44 percent of the Company's total gas reserve. Because of conservation regulations, the Company has been prohibited from selling this gas in order to maintain pressure and improve oil recovery in the associated oil pools. Although still prohibited, an application to commence production has been made to the Conservation Board and there is prospect of some sales of Harmattan gas within the next few years.

The life for proved and probable reserves at current rates of production is 16 years for crude oil, 21 years for natural gas liquids and 39 years for natural gas.

The Company's estimated net proved and probable reserves, after deducting all royalties and working interests of others, appear in the following table.

NET RESERVES – AFTER ROYALTIES
DECEMBER 31, 1970

	Crude Oil (Barrels)	Natural Gas Liquids (Barrels)	Natural Gas (Millions of Cubic Feet)	Sulphur (Long Tons)
Proved	37,030,000	11,027,000	344,000	380,000
Probable	6,970,000	397,000	23,000	–
TOTAL	44,000,000	11,424,000	367,000	380,000

Essentially all of the above reserves are developed by present wells.

FINANCIAL

Revenue

Total revenue surpassed $10 million for the first time in the Company's 21-year history. The new high of $10,722,000 is an increase of $1,289,000 or 14 percent from the previous year. This gain resulted from increased oil and gas sales and greater investment income.

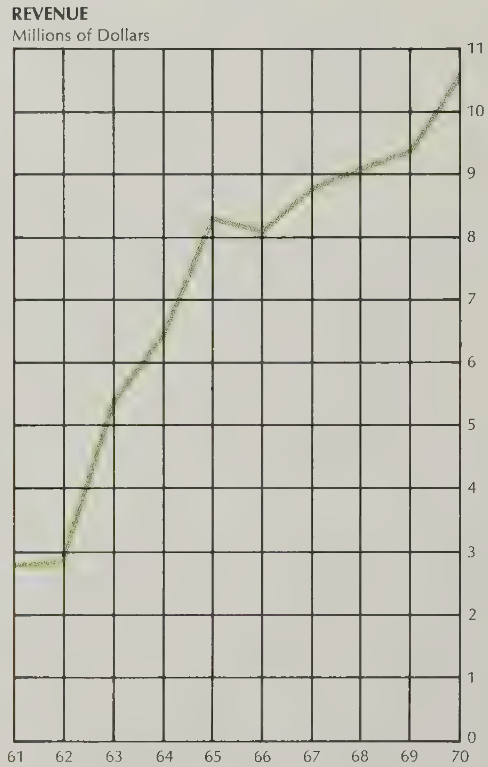
Cash Generated

Cash generated from operations rose to $7,675,000 or $2.40 a share as compared to $6,584,000 or $2.06 a share in the previous year. This represents a 17 percent increase from 1969 and results from the 14 percent gain in revenue while incurring a relatively nominal 7 percent rise in expenses.

SOURCES OF REVENUE

	1970	1969	Percent Change
Crude oil	**$ 6,769,000**	$ 6,078,000	+ 11
Natural gas liquids	**1,260,000**	1,270,000	— 1
Natural gas	**1,737,000**	1,540,000	+ 13
Sulphur	**121,000**	298,000	— 59
Interest, dividends and other	**835,000**	247,000	+238
TOTAL	**$10,722,000**	$ 9,433,000	+ 14

Computers and statistical reports have an increasing significance in the industry.

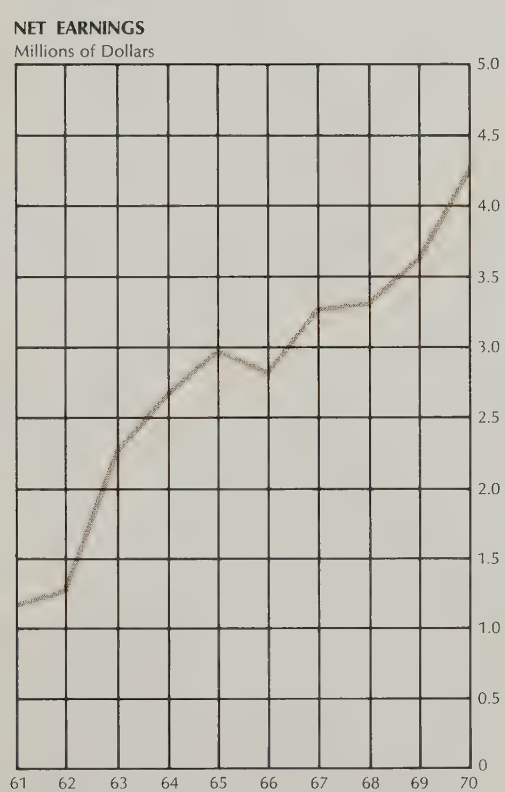


1970 CAPITAL EXPENDITURES

Oil and Gas Exploration		
Land acquisitions and rentals	$1,244,000	
Drilling	1,684,000	
Geological, geophysical and other	1,573,000	$4,501,000
Mining Exploration		842,000
		5,343,000
Development		
Drilling	1,214,000	
Plant, production and other equipment	1,447,000	
Proven property acquisitions, engineering and other	1,126,000	3,787,000
		$9,130,000

Net Earnings and Dividends

Net earnings in 1970, after provision for deferred income taxes, reached a record high of $4,225,000 or $1.32 a share, up 16 percent from $3,636,000 or $1.14 a share in 1969. A dividend of 40 cents a share was declared payable on January 7, 1971, to shareholders of record on December 7, 1970. Canadian shareholders are entitled to claim a full 20 percent depletion allowance on this dividend.



Capital Expenditures

Capital expenditures totalled $9,130,000, an increase of $1,486,000 from the previous year. Of the increase, $1,138,000 was expended for development and $348,000 for exploration. The accompanying table gives a breakdown of these capital expenditures for 1970.

Interest-free Loans

During the year the Company renegotiated the financial terms of the Harmattan gas sales contracts. The interest-free loans, which initially were to be received in annual installments over seven years, have now been fully advanced to Great Plains. The loans total $3,360,000, of which $512,000 was received in 1969 and the balance of $2,848,000 in 1970. The loans are repayable out of a portion of the proceeds from future Harmattan gas sales.

Great Plains has been granted the temporary use of funds of an affiliated company, on an interest-free basis. These funds are repayable on short-term notice. At December 31, 1970, as reflected in current liabilities, such loans amounted to $4,706,000.

PERSONNEL

Great Plains and Northern Oil's combined work force is now made up of 135 persons, an increase of 11 in 1970. The additions were primarily geologists and technicians engaged in petroleum and mining exploration. By department, 41 persons are employed in exploration; 22 are engaged in production and development operations, working in the Calgary office; 24 work in the field, producing the 370 wells which the Company operates; and 48 are employed in accounting, computer, administrative and other service functions.

In 1970, the Company strongly supported the student placement program, employing 42 undergraduates in special projects in the field and office during the summer months. By co-ordinating projects with the availability of students, good use is made of this source of talent. Most of the students worked in mining exploration field programs.

One hundred and one employees are now shareholders through participation in the savings plan which makes regular purchases of Company stock.

The energy and competence of its people are vital factors in the growth and development of the Company and the contribution of our employees is gratefully acknowledged.

On behalf of the Board,

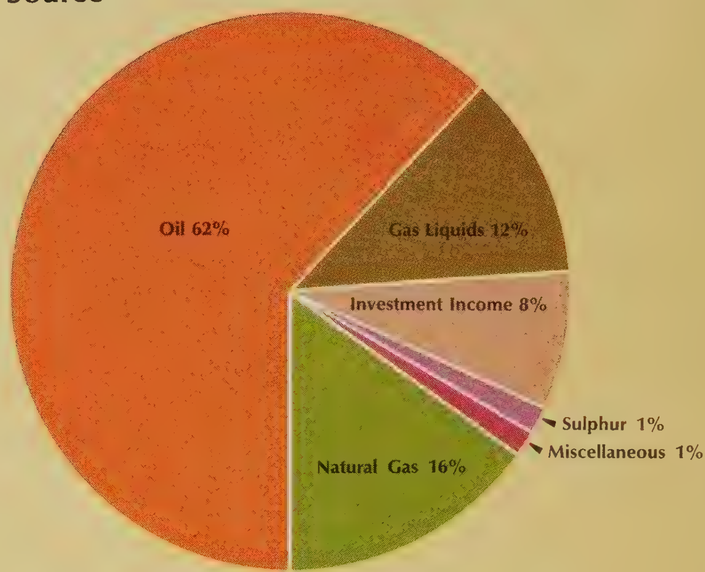
DAVID E. MITCHELL,
President

Calgary, Alberta
February 5, 1971.

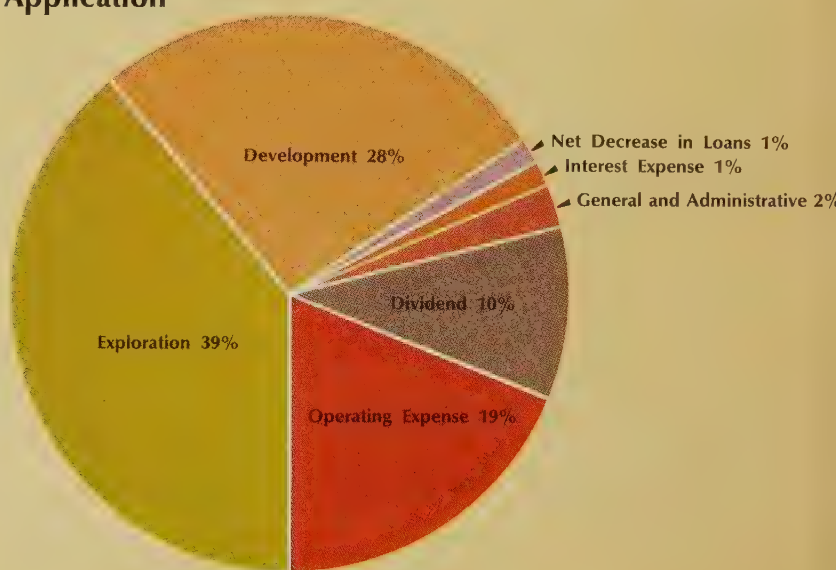
FINANCIAL STATEMENTS

1970 FUNDS

Source



Application



Consolidated Statement of Earnings

For the years ended December 31, 1970 and 1969

	1970	1969
REVENUE		
Production	**$ 9,887,000**	$ 9,186,000
Interest, dividends and other	**835,000**	247,000
	10,722,000	9,433,000
EXPENSE		
Operating	**2,599,000**	2,321,000
General and administrative	**248,000**	169,000
Interest	**200,000**	359,000
	3,047,000	2,849,000
CASH GENERATED FROM OPERATIONS	**7,675,000**	6,584,000
Provision for depletion	**2,177,000**	1,827,000
Provision for depreciation	**528,000**	479,000
	2,705,000	2,306,000
NET EARNINGS BEFORE PROVISION FOR DEFERRED INCOME TAXES	**4,970,000**	4,278,000
Provision for deferred income taxes (Note 5)	**745,000**	642,000
NET EARNINGS	**$ 4,225,000**	$ 3,636,000
Net earnings per share	**$ 1.32**	$ 1.14

Consolidated Statement of Retained Earnings

For the years ended December 31, 1970 and 1969

	1970	1969
BALANCE at beginning of year	**$21,303,000**	$18,945,000
Net earnings	**4,225,000**	3,636,000
	25,528,000	22,581,000
Dividend declared	**1,279,000**	1,278,000
BALANCE at end of year	**$24,249,000**	$21,303,000

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheet as at December 3

Assets

	1970	1969
CURRENT ASSETS		
Cash	$ 90,000	$ 272,000
Short-term investments, at cost, which approximates market	8,766,000	7,817,000
Accounts receivable	4,050,000	6,505,000
Inventories – at lower of cost or realizable value	256,000	261,000
	13,162,000	14,855,000
PROPERTY, PLANT AND EQUIPMENT (Note 1)		
Petroleum, natural gas and mineral properties including exploration and development thereof	67,758,000	60,209,000
Plant, production and other equipment	14,417,000	13,037,000
	82,175,000	73,246,000
Less: Accumulated depletion and depreciation (Note 6)	25,530,000	22,995,000
	56,645,000	50,251,000
OTHER ASSETS		
Prepaid expenses and sundry deposits	220,000	238,000
Investment in pipeline companies, at cost	11,000	11,000
	231,000	249,000
	$70,038,000	$65,355,000

The accompanying notes are an integral part of the financial statements.

1970 and 1969

Liabilities

	1970	1969
CURRENT LIABILITIES		
Accounts payable and accrued charges	**$ 2,917,000**	$ 2,314,000
Dividend payable	**1,279,000**	1,278,000
Current portion of long-term debt	–	421,000
Due to affiliated company	**4,706,000**	3,868,000
	8,902,000	7,881,000
LONG-TERM DEBT (Note 2)		
Interest-free loans from gas purchaser	**3,360,000**	512,000
Bank loans, net of current portion	–	2,909,000
	3,360,000	3,421,000
DEFERRED INCOME TAXES (Note 5)	**5,747,000**	5,002,000

Shareholders' Equity

	1970	1969
CAPITAL STOCK (Note 3)		
Authorized		
6,000,000 shares of $1 par value		
Issued		
3,197,914 shares (1969 – 3,195,614)	**3,198,000**	3,196,000
CONTRIBUTED SURPLUS (Note 3)	**24,582,000**	24,552,000
RETAINED EARNINGS	**24,249,000**	21,303,000
	52,029,000	49,051,000

Signed on behalf of the Board:

David E. Mitchell, Director

Robert F. Buchanan, Director

	$70,038,000	$65,355,000

Consolidated Statement of Source and Use of Funds

For the years ended December 31, 1970 and 1969

	1970	1969
FUNDS WERE OBTAINED FROM:		
Revenue	$10,722,000	$ 9,433,000
Less: Operating, general and administrative and interest expenses	3,047,000	2,849,000
Cash generated from operations	7,675,000	6,584,000
Issuance of capital stock	32,000	12,000
Increase in loans from gas purchaser	2,848,000	512,000
Increase in bank loans	–	1,000,000
Sale of property interests	31,000	9,233,000
Miscellaneous	18,000	92,000
	10,604,000	17,433,000
FUNDS WERE USED FOR:		
Exploration	5,343,000	4,995,000
Development	3,787,000	2,649,000
Reduction of bank loans	2,909,000	2,440,000
Dividend declared	1,279,000	1,278,000
	13,318,000	11,362,000
INCREASE (DECREASE) IN WORKING CAPITAL	$ (2,714,000)	$ 6,071,000

The accompanying notes are an integral part of the financial statements.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Great Plains Development Company of Canada, Ltd. and subsidiaries as at December 31, 1970 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
January 25, 1971

(Signed) RIDDELL, STEAD & CO.
Chartered Accountants.

Notes to the Consolidated Financial Statements

as at December 31, 1970

1. Accounting Policies

The consolidated financial statements include the accounts of Great Plains Development Company of Canada, Ltd. and its subsidiary Companies, all of which are wholly owned. The excess of the consideration paid for the shares of purchased subsidiaries over their net book values at the dates of acquisition is included in property, plant and equipment in the consolidated balance sheet, and additional depletion provided accordingly.

The Companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil, gas and related reserves and other minerals are capitalized. Such costs include acquisition costs, geological and geophysical expense, carrying charges of non-producing properties, costs of drilling both productive and unproductive wells, production equipment and gas facilities, mineral exploration costs, and all technical and administrative overhead directly associated with these functions. Proceeds received from disposal of properties are credited against such costs. These net costs are amortized on the composite unit of production method based on total estimated proved developed reserves.

2. Long-Term Debt

All bank production loans outstanding as at December 31, 1969 were retired during 1970.

During 1970 the financial terms of the gas contracts for marketing Harmattan gas were re-negotiated. As a result, the interest-free loans which originally were to be paid to the Company in annual installments through 1975 have now been received in full in the total amount of $3,360,000. These interest-free loans are repayable out of a portion of future gas deliveries from the Harmattan Field. Conservation regulations currently prohibit the marketing of this gas.

3. Capital Stock

At December 31, 1970, 83,950 shares of capital stock are reserved for issuance under an Incentive Stock Option Plan, of which options have been granted to employees, including officers, to purchase 48,950 shares at prices ranging from $9.90 to $23.85 per share. These options are exercisable cumulatively in four equal installments commencing one year after date of option and will expire on or before May 19, 1975. During 1970, 2,300 shares were issued for a consideration of $33,120, of which $2,300 has been credited to capital stock, and the balance of $30,820 to contributed surplus.

4. Commitments

Under the terms of an amended agreement between the Company, Barber Oil Corporation and Noranda Mines Limited, the Company has agreed to expend $3,000,000 per year for at least each of the next two years as its proportionate share of a joint exploration program in Canada. Such exploration operations are being conducted in the name of Northern Oil Explorers Ltd. on behalf of the above participants.

5. Income Taxes

Under Canadian income tax law, exploration and development expenditures, including costs of oil and gas rights, may be deducted from income and any excess may be carried forward to subsequent years. In addition, capital cost allowances which are in excess of the depreciation recorded in the accounts may be claimed. As a result of claiming the maximum amounts allowed, no income taxes have been paid by any of the Companies to date, and as at December 31, 1970, the Companies have unused deductions of $1,100,000 of exploration and development costs, and $3,450,000 of capital cost allowance available to apply against future taxable income.

In determining reported net earnings, the Companies provide for deferred income taxes. Although the utilization of maximum available tax credits eliminates any current income tax liability, it will result in the payment of higher taxes in the future when recorded charges exceed those available for tax purposes. Directly influencing the timing and extent of this future liability, however, are additional deductions available from continuing exploration and development investment which initially result in further deferment of any tax liability and thereafter materially reduce the annual amount of taxes actually payable. For these reasons deferred taxes have been provided for at rates less than those in effect under present taxation legislation, but which, it is estimated, should adequately provide for all income taxes payable by the Companies for the period from inception into the foreseeable future. Such amounts are credited to "Deferred Income Taxes" and will be taken into earnings of future years as and when income taxes payable are in excess of then current provisions. If the Companies had provided for deferred taxes on the basis of full tax rates for all timing differences between taxable income and reported earnings, such provisions would have been increased by approximately $1,030,000 ($880,000 in 1969) and cumulative deferred income taxes would have been approximately $8,700,000 greater.

6. Statutory Information

(a) Direct remuneration paid during 1970 to directors and senior officers (as defined by The Ontario Securities Act) totalled $160,575 of which $99,200 was paid to directors as directors and officers of the companies.

(b) Accumulated depletion and depreciation as at December 31, 1970 is as follows:

Depletion of petroleum and natural gas properties	$ 21,792,000
Depreciation of plant, production and other equipment	3,738,000
	$ 25,530,000

TEN-YEAR FINANCIAL STATISTICS

		1970	1969
Gross Revenue – *thousands*			
Oil and gas liquids	$	8,029	7,348
Natural gas	$	1,737	1,540
Sulphur	$	121	298
Interest, dividends and other	$	835	247
Gross revenue	$	10,722	9,433
Cash Generated and Earnings			
Cash generated from operations – *thousands*	$	7,675	6,584
Per share	$	2.40	2.06
Net earnings before deferred tax provision – *thousands*	$	4,970	4,278
Per share	$	1.55	1.34
Net earnings after deferred tax provision – *thousands*	$	4,225	3,636
Per share	$	1.32	1.14
Dividends and Stock Data			
Dividends paid – *thousands*	$	1,279	1,278
Per share		40c	40
Shares outstanding at year end		3,197,914	3,195,614
Number of shareholders		2,018	1,972
Market price range per share	$	33–16	40–21
Assets, Liabilities and Shareholders' Equity – *thousands*			
Working capital	$	4,260	6,974
Net property, plant and equipment	$	56,645	50,251
Other assets	$	231	249
Total net assets	$	61,136	57,474
Long-term debt	$	3,360	3,421
Deferred income taxes	$	5,747	5,002
Shareholders' equity	$	52,029	49,051
Shareholders' equity per share	$	16.27	15.35
Capital Expenditures – *thousands*			
Oil and gas exploration	$	4,501	4,410
Mining exploration	$	842	585
Development	$	3,787	2,649
Company acquisitions for cash	$	–	–
Total capital expenditures	$	9,130	7,644

1968	1967	1966	1965	1964	1963	1962	1961
7,092	6,919	6,815	6,988	5,344	4,397	2,526	2,592
1,550	1,488	1,213	1,161	869	724	187	38
429	413	123	114	6	–	–	–
31	32	14	48	308	290	220	194
9,102	8,852	8,165	8,311	6,527	5,411	2,933	2,824
6,522	6,380	5,783	6,098	4,918	3,947	2,114	2,039
2.04	2.00	1.83	1.93	1.63	1.32	1.58	1.65
3,891	3,852	3,307	3,526	3,141	2,678	1,499	1,374
1.21	1.21	1.05	1.12	1.04	0.89	1.12	1.11
3,307	3,274	2,811	2,997	2,670	2,276	1,274	1,168
1.04	1.02	0.89	0.95	0.88	0.76	0.95	0.95
1,278	1,278	1,103	1,103	907	–	–	–
40	40	35	35	30	–	–	–
3,194,739	3,194,364	3,151,864	3,151,864	3,023,064	3,001,314	1,341,092	1,236,092
2,071	2,231	2,350	2,195	1,918	1,958	2,319	2,423
29–15	23–11	14–10	14–10	14–10	15–11	15–9	16–9
903	667	608	(321)	1,999	9,102	6,884	5,465
54,147	51,282	49,326	46,837	37,106	32,310	14,593	13,138
341	244	232	216	367	268	109	146
55,391	52,193	50,166	46,732	39,472	41,680	21,586	18,749
4,349	3,768	4,778	3,549	–	4,656	4,940	5,205
4,361	3,777	3,199	2,703	2,174	1,703	1,228	1,004
46,681	44,648	42,189	40,480	37,298	35,321	15,418	12,540
14.61	13.98	13.39	12.84	12.34	11.77	11.50	10.14
3,048	3,248	3,168	1,538	1,327	2,050	1,415	849
384	189	117	39	–	–	–	–
2,351	2,268	2,130	2,041	939	2,211	621	1,188
–	–	–	8,597	4,568	–	–	–
5,783	5,705	5,415	12,215	6,834	4,261	2,036	2,037

TEN-YEAR OPERATING STATISTICS

		1970	1969
Production			
Crude oil – *thousands of barrels*		2,713	2,465
Natural gas liquids – *thousands of barrels*		540	564
Total – *thousands of barrels*		3,253	3,029
Daily average – *thousands of barrels*		8.9	8.3
Value of net production – *thousands*	$	8,029	7,348
Average price per barrel	$	2.47	2.43
Natural gas – *millions of cubic feet*		9,379	8,581
Daily average		25.7	23.5
Value of net production – *thousands*	$	1,737	1,540
Average price per thousand cubic feet		18.5c	18.0
Sulphur – *Production – long tons*		17,000	16,040
– *Sales – long tons*		11,900	12,700
Value of sales – *thousands*	$	121	298
Average price per long ton	$	10.18	23.46
Reserves – *Proved and Probable* (1)			
Crude oil – *thousands of barrels*		44,000	41,213
Natural gas liquids – *thousands of barrels*		11,424	10,809
Natural gas – *millions of cubic feet*		367,000	327,000
Sulphur – *thousands of long tons*		380	394
Properties – *thousands of acres*			
Oil and gas rights – *gross*		16,374	14,203
– *net*		5,867	5,405
Other minerals rights – *gross*		945	2,087
– *net*		553	1,041
Net Wells			
Oil		309	305
Gas		48	42
Number of Employees		135	124

(1) Proved reserves only for years 1961 to 1965 inclusive.

1968	1967	1966	1965	1964	1963	1962	1961
2,296	2,226	2,247	2,338	1,788	1,593	914	1,086
594	557	587	511	388	182	97	9
2,890	2,783	2,834	2,849	2,176	1,775	1,011	1,095
7.9	7.6	7.8	7.8	5.9	4.9	2.8	3.0
7,092	6,919	6,815	6,988	5,344	4,397	2,526	2,592
2.45	2.45	2.41	2.45	2.46	2.48	2.50	2.37
8,539	8,063	6,818	6,656	4,902	3,970	1,068	229
23.4	22.1	18.7	18.2	13.4	10.9	2.9	0.6
1,550	1,488	1,213	1,161	869	724	187	38
18.2	18.5	17.8	17.6	17.7	18.0	17.5	13.3
18,400	13,400	7,500	9,600	700	–	–	–
11,500	11,200	6,900	8,900	700	–	–	–
429	413	123	114	6	–	–	–
37.33	36.89	17.79	12.75	8.64	–	–	–
40,976	41,683	39,833	29,012	20,594	20,068	11,167	11,117
11,262	11,058	9,679	9,924	9,698	8,905	8,896	8,928
313,000	360,000	351,000	323,000	310,000	269,000	189,000	171,000
408	473	485	380	306	–	–	–
14,519	11,113	10,586	9,014	8,029	5,698	2,044	899
7,740	6,753	7,972	6,672	6,035	4,239	1,638	627
1,698	344	290	–	–	–	–	–
890	235	217	–	–	–	–	–
294	281	280	284	196	189	80	92
40	36	32	32	31	27	14	9
113	108	106	94	94	81	60	62

GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

a Dominion Company incorporated in March, 1950

Directors

Norman J. Alexander
Winnipeg, Manitoba
Managing Partner,
Richardson Securities of Canada.

William A. Arbuckle
Montreal, Quebec
Chairman, Canadian Board of
The Standard Life Assurance Company.

T. Howard Atkinson
Montreal, Quebec
Retired – Formerly Vice-President and General Manager,
The Royal Bank of Canada.

Robert F. Buchanan
Calgary, Alberta
Financial Vice-President of the Company.

Ranald H. Macdonald
New York, N.Y.
Consultant,
Dominick & Dominick, Incorporated.

John K. McCausland
Toronto, Ontario
Retired – Formerly Vice-President and Director,
Wood Gundy Securities Limited.

David E. Mitchell
Calgary, Alberta
President of the Company.

Frederick L. Moore
New York, N.Y.
Vice-President,
Kidder, Peabody & Co. Inc.

Robert P. Smith
London, England
Chairman of the Board,
The Burmah Oil Company Limited.

John F. Strain
London, England
Deputy Chairman and Director,
The Burmah Oil Company Limited.

Kenneth V. Stringer
London, England
Burmah Oil Trading Limited.

H. Robert Tainsh
London, England
Assistant Managing Director,
The Burmah Oil Company Limited.

Nicholas J. D. Williams
London, England
Managing Director,
The Burmah Oil Company Limited.

Officers

David E. Mitchell
President

Robert F. Buchanan
Financial Vice-President

Dennis H. Scott
Secretary

Edward A. Earle
Assistant Treasurer

REFERENCE MAP
Ellesmere Location page 2
Lougheed Location page 3
Melville Drilling page 2
Beaufort Sea
PRUDHOE BAY
ALASKA
GREENLAND
Old Crow Seismic page 7
ATKINSON PT.
Yukon Territory page 10
YUKON TERRITORY
NORTHWEST TERRITORIES
Pacific Ocean
Mills Lake Seismic page 7
East Arm Great Slave Lake page 9
Kinaskan Lake page 10
Stikine River page 10
ALBERTA
SASK.
Hudson Bay
Kobes Gas page 12
Omineca River page 10
BRITISH COLUMBIA
Wollaston Lake page 9
NEWFOUNDLAND
Judy Creek Gas page 12
Cold Lake Project page 12
Bigoray Gas page 14
Minnehik Gas page 7
Minnehik-Buck Lake Plant Extension page 12
MANITOBA
Leafland Gas Discovery page 7
Sylvan Lake Gas page 14
Pembina Development page 11
Harmattan Gas Discovery page 7
Harmattan Reserves page 15
Crossfield Gas Discovery page 7
Iron Mask page 10
VANCOUVER
VICTORIA
CALGARY
SASKATOON
QUEBEC
Butte Development page 11
REGINA
Gaspé Seismic page 6
New Brunswick page 10
WINNIPEG
ONTARIO
N.B.
N.S.
HALIFAX
OTTAWA
MONTREAL
MILES

Registrars and Transfer Agents

Montreal Trust Company
Montreal, Toronto, Winnipeg,
Regina, Calgary, Vancouver

The Bank of New York
New York, N.Y.

Auditors

Riddell, Stead & Co.
Calgary

Stock Listed

Toronto Stock Exchange

Head Office

736 - 8th Avenue S.W.,
Calgary 2, Alberta

ALCRAFT • CALGARY
LITHOGRAPHED IN CANADA

GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

Annual Report 1970